



# **Brazil: An Early Look at the Figueiredo Administration**

**An Intelligence Assessment**

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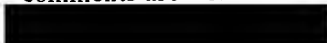
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# Brazil: An Early Look at the Figueiredo Administration (U)

## An Intelligence Assessment

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This report was prepared by the Latin America  
Division of the Office of Political Analysis. It has been  
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**Key Judgments**

Early evidence indicates that the new Brazilian administration is serious about continuing the political openings begun by former President Ernesto Geisel.

The government has the means and the determination to control the pace and limits of the process, lest civilian demands get out of hand.

Liberalization is a challenging process, given the complexity of Brazilian society and the numerous political demands on President Figueiredo, and there could be problems and even setbacks.

Economic problems, should they get out of control, could eventually have adverse effects on the political environment, but such a prospect is not now in the offing.

On balance, the short-term prospects for continued liberalization are favorable; the armed forces back the plan and most civilians seem to recognize that their best hope for a formal end to military rule lies in cooperating with, rather than antagonizing the new President.

*The above information is Secret.*

## **Brazil: An Early Look at the Figueiredo Administration (U)**

### ***Introduction***

President Figueiredo has been in office less than three months, but sufficient evidence has accumulated to allow some tentative judgments about his administration's political capabilities and intentions. The new President is indeed working toward the greater political openness he promised, building on the foundations laid by his predecessor, Ernesto Geisel. Figueiredo is making his liberalization moves deliberately and within an authoritarian framework which, in the Brazilian context, is not contradictory. The administration's conciliatory line—marked by a low-key approach to a serious labor problem and by continuing moves to make the political system less arbitrary—sets a positive tone that will almost certainly dispose civilians to view Figueiredo, whose term runs for six years, in optimistic terms. (S)

### ***Tasks for Figueiredo***

For some time, the armed forces have been actively engaged in a controlled, measured process designed to divest themselves of the responsibility for running the country. More civilians have been phased in as the political constraints on the civilian sector have been eased. The armed forces, however, still retain their traditional role as overseers of the political system and will continue to do so even after they bow out formally. (S)

President Geisel began the program soon after he took office in 1974 and made it almost irreversible when he removed the military establishment from the presidential selection procedure. Figueiredo, handpicked by Geisel, is the first President since 1964 to have a specific policy "mandate"—that of carrying forward the liberalization. (S)

A number of important political tasks await Figueiredo. He must, for example, refine or modify the political party system as well as cultivate and launch civilian political figures who can readily step into leadership roles as the military withdraws. In addition, if liberalization goes well, he will presumably be responsible for fostering the conditions in which the first civilian president since 1964 can be chosen. To

this end, much of his political work in the meantime will be aimed at building a civilian constituency to serve as a base from which to launch a candidacy. All this and more must be accomplished in a manner that will not allow demagogic politicians to gain prominence and thereby arouse the apprehensions of conservative military officers. (S)

### ***The Setting***

The regime is liberalizing by dispensing reforms, setting both the pace and the limits. Although this is a seemingly contradictory approach to relaxing military control, it is consistent with the paternalism of Brazilian society. Brazilian governments, whether elected or unelected, military or civilian, play the role of patron. Yet liberalization is no less real because of the manner in which it is occurring. Military control has already been greatly lessened, and the climate for dissent is now vastly more favorable than before. The regime is responding to popular aspirations, moving, however gradually, in the direction generally favored by Brazilians. (S)

The rules that govern the liberalization process are authoritarian in that they were made by and greatly favor the government. By a variety of means, for example, the regime guaranteed itself a majority in congressional elections last year and has continued denying the direct elections for state governors and the mayors of big cities. There is also still a strong, if now somewhat less sweeping, national security law. Yet the rules do not choke off civilian politics, but keep it within what the government considers to be manageable bounds. The current two-party system was created by the regime, for example, but it has developed a life of its own—the opposition party takes the government to task on major issues and has successfully campaigned in local and state elections on a frankly antiregime program. Moreover, civil rights, amnesty, and other protest groups are quite active—if circumspect—in pushing their causes. (S)

On 1 January of this year, the regime permitted the expiration of the decree law that had given previous governments the unilateral authority to close Congress, cancel electoral mandates, and intervene in state and local jurisdictions. Figueiredo is thus the first President in over a decade to govern without the almost unlimited authority entailed in that decree. To be sure, his powers are still significant, but under today's rules, they are less arbitrary. Application of a number of potential emergency measures, for example, now requires varying degrees of congressional involvement, and the justifying criteria, as well as time limits for exceptional measures, are more clearly spelled out. (s)

#### *Economic Dilemma*

The complex political situation is set against a highly uncertain economic background that challenges the resourcefulness of Brazil's leaders at a time when they have their hands full with other matters. Figueiredo has pledged to reduce inflation—the main economic concern—from roughly 46 percent at present to 15 to 20 percent, but it could still top 50 percent by yearend. The balance-of-payments constraint—foreign debt is now over \$42 billion—is also formidable and growing. At the same time, Brazilian agriculture has been dealt a severe blow by floods, drought, and early frost that ravaged crop-growing areas. (s)

The government is likely to be caught in a cruel squeeze. While it labors to contain inflation, it cannot risk the prolonged slowdown that might result from austerity measures—job creation is crucial to a rapidly expanding population with expectations of upward mobility. Either problem, if allowed to get out of hand, could lead to worrisome social tensions, tempting nervous officials to urge a return to a more repressive line. (s)

#### *Challenge From Labor*

The most tangible sign that Figueiredo takes liberalization seriously has come from his handling of labor which, from the day the new President took office, carried out a virtually unprecedented number of strikes. The government consistently has used only a limited amount of the authority available to it to deal with the situation, and the President's conciliatory approach to this widespread and complicated problem bodes well for further liberalization. (s)

For the most part, the strikes—almost invariably over bread-and-butter issues—have been settled with little fanfare and, in many cases, on terms favoring the workers. Two factors largely account for the government's attitude. Workers, of course, have a legitimate grievance and the regime is not without sympathy; President Figueiredo, in fact, has publicly expressed concern for the plight of workers. Settlements on the order of 70 and 80 percent have carried the government's approval—a hike not unreasonable in view of the fact that over the years salaries have been held down. Moreover, allowing labor unions—and others—more latitude than before in expressing their complaints is considered a vital part of the liberalization the administration has promised. (s)

Although it retains any number of stringent—but still legal—ways to deal with labor, the government has flexed its muscles in only a handful of instances, most notably against three striking Sao Paulo metalworkers' unions regarded as the nation's best organized and most influential. Having made its point by officially ousting the three labor leaders, the regime stepped back and permitted them to continue exercising de facto control of their unions. A federally mandated cooling-off period brought a negotiated compromise settlement that contained no clearcut triumph for the three labor chiefs but did constitute a major gain for the government's labor policy. (s)

Still, the strikes are a serious problem with the potential for disrupting normal economic activity and, in some cases, public order. They also constitute a highly visible defiance of authority. Virtually all strikes theoretically are still illegal, and salary demands, however just, are at odds with the regime's top-priority effort to contain inflation. (s)

The persistent problem of labor demands can probably be managed quietly as long as the unions stick to economic issues and as long as the regime is not overwhelmed by a profusion of simultaneous walkouts having the impact of a general strike. Recent experience suggests that both sides now have a better idea of the aims and tactics of the other. Even in the most serious strikes, both workers and the authorities have been restrained; the unions undoubtedly recognize that, while the regime can and will impose limits, there is substantial room for maneuver. (s)

The situation that now exists is unprecedented in recent Brazilian history. Neither government, nor management, nor labor know precisely how far any given issue can be pushed. All are venturing into what is essentially new territory, and the government's relations with an increasingly vocal labor movement will be characterized by an uncertainty in which one side or the other could easily miscalculate. (s)

Though the government so far has tended to view the unions' current activism as an inevitable part of a more open political system, it might prove less tolerant of demands for fundamental alteration of the corporatist rules governing labor. Such demands are at least conceivable, if not likely, as many civilian groups increasingly ask basic questions about the way in which Brazil is governed. The regime has proposed measures to liberalize the labor code but they may fall short of the reforms some labor leaders have in mind. Another possibility is that the unions, emboldened by early successes, could press for round after round of wage increases that would pose an even greater threat to the regime's already precarious anti-inflation program than the recent increases. (s)

#### *Other Political Developments*

Even though preoccupied with the labor problem, the government has been active on a broad range of other issues, proceeding in a manner that is consistent with a more open political system. Some moves are largely symbolic; for example, Figueiredo's accessibility to the media and his regular meetings with progovernment political figures. These gestures are of significance, however, given the secretive style of past administrations. (s)

The government has announced it will offer amnesty to all those charged with political offenses since the 1964 military takeover, excluding only persons accused of terrorism or other violence. Moreover, the regime has greatly eased media censorship. Prior scrutiny of the press had virtually ceased when Figueiredo entered office, but his administration is now permitting increasing amounts of political criticism and satire over radio and television. In addition, economic decision-making is being given a greater public airing than before. In mid-April, for example, Figueiredo invited leaders of the progovernment party to participate in a meeting of his Economic Development Council—a

move without precedent since 1964. The composition of several policymaking bodies has been modified, to include or increase participation by the private sector, and other innovative channels have been opened to widen public access. (s)

Figueiredo is also taking a moderate line toward students, who are now attempting to organize nationally for the first time since the radical National Students Union was outlawed early in the revolution. The President is moving to rescind the decrees that over the years have been used to suppress student activism and punish university activists. Today's students, drawn increasingly from the lower socioeconomic ranks and presumably concerned with preparing for entrance into the job market, may be less inclined than their predecessors to take up political causes. Moreover, the relative political openness gives today's students less to aim at. (s)

Still, the students could be a problem if they should, at some point, join with other groups—perhaps workers—to protest economic conditions. For the security-minded government memories of past student activism, especially links to terrorists, remain vivid and there would be a strong temptation to deal harshly with the youths if they should display any of the old tendencies. (s)

The government is anxious for its program to find favor with the Catholic Church, a frequent critic of the regime and second only to the armed forces as an institution with national influence. Figueiredo underscored the importance he ascribes to good relations with the church when he became the first chief executive to visit the headquarters of the National Council of Bishops. Even before Figueiredo took over, some top clerics acknowledged that there had been substantial human rights and political progress in Brazil; the new President appears committed to gaining still greater acceptance by churchmen. (s)

There is also a strong desire to shore up support from the business and industrial community, once the major civilian backer of the military government, but less enthusiastic since the so-called economic miracle faded some years ago. Businessmen undoubtedly were encouraged by the moves to open up economic decisionmaking and hope that the administration will

yet make good on its promise to reduce the government's role in the economy. In general businessmen appear to think liberalization is beneficial to them, to the extent that it lessens social tensions. (S)

Figueiredo also hopes that his program will blunt the appeal of the far left. The Moscow-line Brazilian Communist Party and a loose coalition known as the Socialist Convergence have been trying to gain a following by exploiting the grievances of striking workers. These groups appear to have made no noticeable inroads, but officials will remain vigilant for any signs of resurgence. (S NF NC)

Officials express concern that exiled politicians, most notably former Labor Party leader Leonel Brizola, could cause problems later in the year, when and if they return to Brazil, under the amnesty provisions. Brizola in particular represents the kind of demagoguery the military sought, with considerable success, to extirpate. There is still a worry that such figures could rekindle populist ideas and create a movement unacceptable to the armed forces. But the regime's willingness to allow these men back appears to reflect a belief by the top leadership either that it can hem them in in ways that do not blatantly violate the liberalization program, or, that time and changing circumstances have rendered them anachronistic. (S)

### *Congress and the Politicians*

Thus far, the government appears to be having little difficulty living with an invigorated Congress, increasingly disposed to debate basic issues. In part, this reflects the recent election of a number of legislators highly critical of the regime's stress on economic growth and its reliance on foreign capital, among other policies. But the trend toward greater outspokenness has been growing since Geisel took the first liberalizing steps. The new Congress has already taken up such proposals as legislating an end to the indirect election of governors and mayors, and shortening the terms of those federal senators who were appointed rather than elected. The opposition also had pushed a measure that would have given Congress, not the executive, the power to grant amnesty. (S)

Since the government has a majority in Congress, there is little prospect for the passage of any bill it strongly opposes. Nevertheless, the precedent for a

more vigorous congressional debate of the issues has been set, and the regime cannot simply ignore the legislature. The government now relies on political rather than arbitrary means to deal with congressional dissent. (S)

In some cases, the administration has preempted congressional initiatives, as with the amnesty issue. It has also hinted strongly that it will restore direct elections of governors when the terms of the incumbents expire in 1982. The administration, however, apparently has plans to blunt the effectiveness of the opposition—or at least to keep it guessing and thus less powerful than it might be. (S)

There is considerable speculation—much of it seems officially inspired—that the government will shortly ease the requirements for establishing new political parties. Presumably, a centrist party and a mildly leftist one could emerge. While the lineup of parties might then prove more representative of a wide spectrum of political opinion, it would also serve to disperse and isolate the opposition. If there are to be more parties, progress is apt to be gradual and prospective founders will have to operate within closely controlled guidelines. (S)

### *Outlook*

The regime—and whatever party system emerges—may not face a nationwide electoral test of any kind before 1982, when the next congressional elections are scheduled. Although municipal elections are slated for next year, the government has strong incentives to postpone them until 1982. Setbacks in previous local elections throughout Brazil could influence the regime to postpone the balloting rather than face the possibility of another poor showing, relatively early in Figueiredo's term. Moreover, the government might not wish to risk a nationwide campaign that could, especially in difficult economic times, give rise to agitation or unrest. Moreover, many local politicians would probably prefer to wait until 1982, when they would benefit from the increased campaign funds and exposure attending the congressional elections. (S)

Under such a scenario, the Figueiredo government would have nearly four years to consolidate its position and put off—if necessary—further basic decisions. Until early 1983, when all the officials chosen in 1982



would take office, the regime would thus be guaranteed a congressional majority in both houses, majority-party governors in all but one state, and an array of local officials owing their extended mandates to Figueiredo. (S)

In the meantime, the government would continue to enjoy considerable room for maneuver, adjusting the pace of liberalization and other policies to its evaluation of the mood of influential civilian interest groups. Postponing the elections almost certainly would not mean canceling them indefinitely; the regime has raised civilian expectations too far to risk the widespread, bitter reaction that might result. But the President would gain additional time and freedom to ponder further reforms: changes in the authoritarian Constitution; possible revision of the national security concept that still guides so much of the government's thinking even in the political realm; and, ultimately, a decision to implement the election of a civilian president to succeed Figueiredo, whose term expires in 1985. (S)

As recent political activism demonstrates, the civilian sector is by no means unequipped or inexperienced in grappling with national problems. Throughout the regime's history, with a few brief exceptions, there has been a functioning Congress, albeit at times sharply circumscribed. Even at its most repressive, the military government has consistently relied on the expertise and management skills of highly trained civilians to run the economy and implement foreign policy. There are, moreover, credible civilian figures—such as Vice President Aureliano Chaves and Bahia Governor Antonio Carlos Magalhaes, who have both the trust of the regime and their own political credentials—to whom the regime is likely to delegate increasing amounts of political prestige and authority. (S)

Clearly, the administration fully appreciates the delicacy of the circumstances. Brazil is, after all, a large, complex country trying to accomplish significant political change. Although some feared that the rough-hewn Figueiredo would not be equal to the task, his government's measured approach to its problems thus far indicates an ability to consider the risks before plunging ahead. (S)

The coming months and years will call on all the ingenuity and diplomacy the government can summon. The process the new President and the nation are embarked on—paving the way for restoration of civilian-based rule after a lengthy military intervention—is a complicated one with ample room for problems, misunderstandings, and some setbacks. Yet, on balance, the prospects for continued liberalization seem favorable. The armed forces back Figueiredo and in the main appear to have accepted the idea of eventually handing over power. Civilian leaders probably realize that their best hope for an end to military rule lies in cooperating with Figueiredo. Thus, while civilians will probe the limits of the regime's tolerance, most will probably prefer to stop short of outright antagonism. Finally, deeply engrained Brazilian traits that stress compromise and conciliation, though by no means guaranteeing the future of Brazil's new openness, will facilitate the attainment of solutions as problems and disputes arise. (S)

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